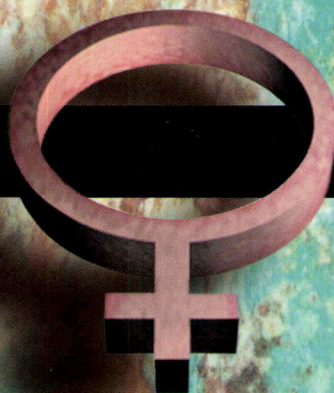
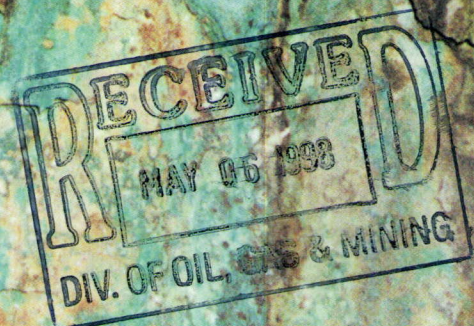


M/037/088

SUMMO

MINERALS CORPORATION



1997 Annual Report

Summo Minerals Corporation

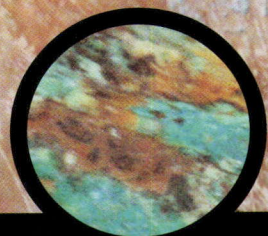


TABLE OF CONTENTS

Copper Consumption and Uses	1
Letter to Shareholders	2
Summo Sites and Offices, Reserves and Indicated Resources	4
Lisbon Valley Project	5
Copper Spur Project, Cashin & Champion Projects	8

MISSION STATEMENT

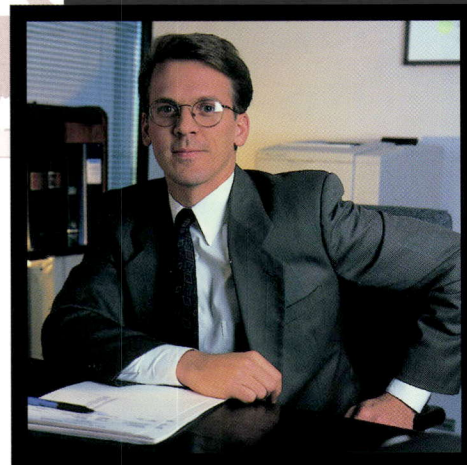
To build Summo Minerals Corporation into a profitable mid-tier North American producer of cathode copper by focusing on medium-sized deposits amenable to open pit mining, heap leach processing, and recovery by solvent extraction-electrowinning (SX-EW). Summo endeavors to be a good steward of the land and a responsible and contributive corporate citizen in the communities in which it operates.



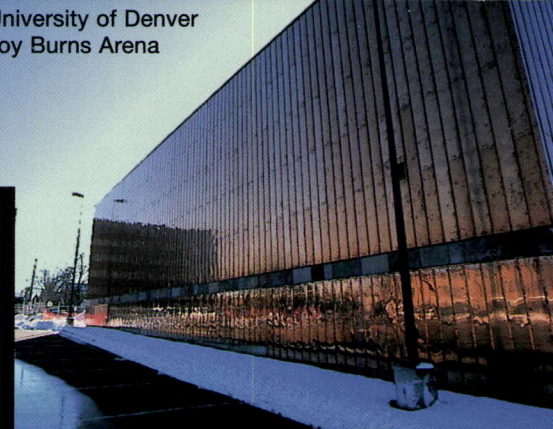
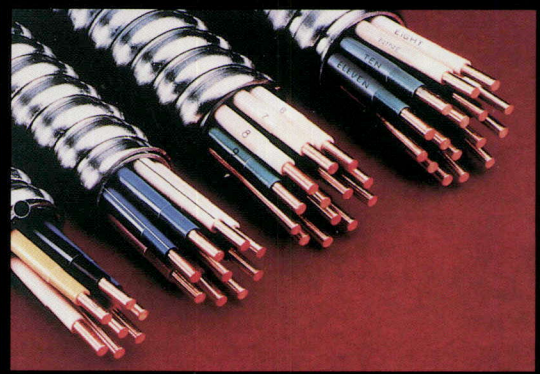
James D. Frank and Karen A. Melfi

GOALS AND OBJECTIVES

- Bring the Lisbon Valley Project into construction in 1998 at an annual capacity of 40 million pounds of cathode copper;
- Complete a Feasibility Study on a second copper property in 1999;
- Develop a second copper property by the year 2000;
- Achieve a total annual cathode copper production of 100 million pounds within the next ten years;
- Produce copper for less than \$0.60/lb. on average and be in the lowest third of copper producers, on a cash cost basis.



Michael A. Charneskie



COPPER CONSUMPTION AND USES

Copper consumption in the United States increased in 1996 by 3%, rising to nearly 7.6 billion pounds. Consumption now averages over 30 pounds of copper per person every year.

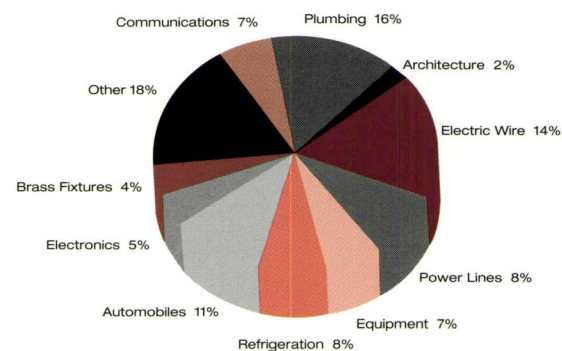
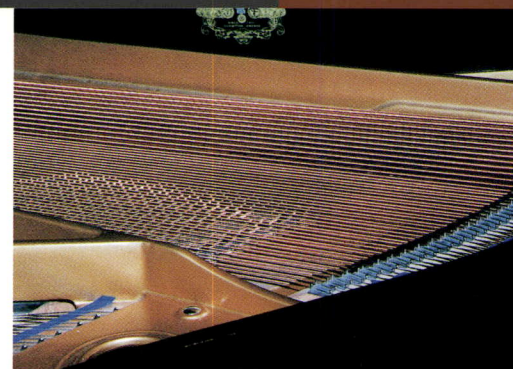
Copper enriches our lives in many ways. The primary use of copper is as electrical wire, both in residential and commercial buildings, and in automobiles, in windings in electric motors, and in electronics equipment. Copper tubing for indoor plumbing and natural gas lines represents another significant use of copper. The average new home contains approximately 500 pounds of copper in the form of electrical wiring, plumbing pipes, and brass fixtures.

The average new automobile contains approximately 50 pounds of copper in the wiring harness and in electric motors which power windshield wipers, power windows and locks, power seats and mirrors, not to mention the radio and CD player.

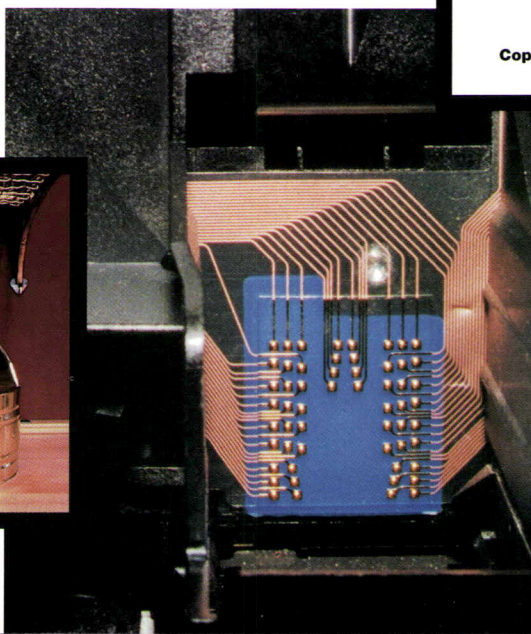
Architects for the Joy Burns Arena at the University of Denver, currently under construction, chose copper as their preferred facing to provide aesthetics, color, and character to the building, and because copper is long-lasting and maintenance free.

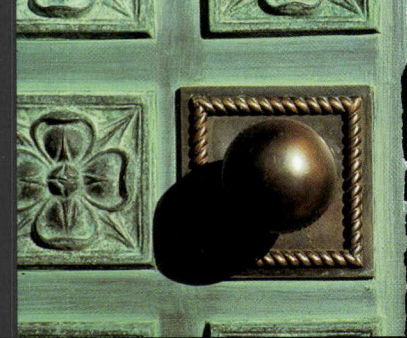
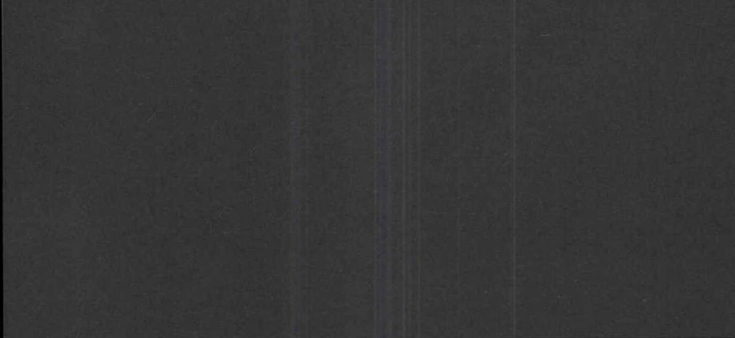
Copper is also used in fertilizers (as copper sulfate) and in the chemical and manufacturing industries as a pigment. Copper dyes are used exclusively to produce some of the enduring vivid colors in recreational clothing.

Copper strings provide the deep resonant tones on pianos and other string instruments; the brass section in the band contains 40-50% copper. Computer and other electronic circuit boards are etched in copper.



Copper Consumption in the US • 1996 • 7,600 Million Pounds
From: Copper Development Association





LETTER TO SHAREHOLDERS

Summo experienced the emotional highs and lows this year which accompanied the ups and downs of copper's price performance, and the frustrations of wading through the mine permitting process in the United States. Copper prices began the year on a positive trend. The currently depressed price of copper reflects a widely held perception that the market will be in surplus supply of refined copper for the next year or two. The supply/

demand balance should return thereafter, such that the market fundamentals in the long-term remain strong for copper. This is a good time to build a mine, in order to take advantage of price improvement as production comes on line.

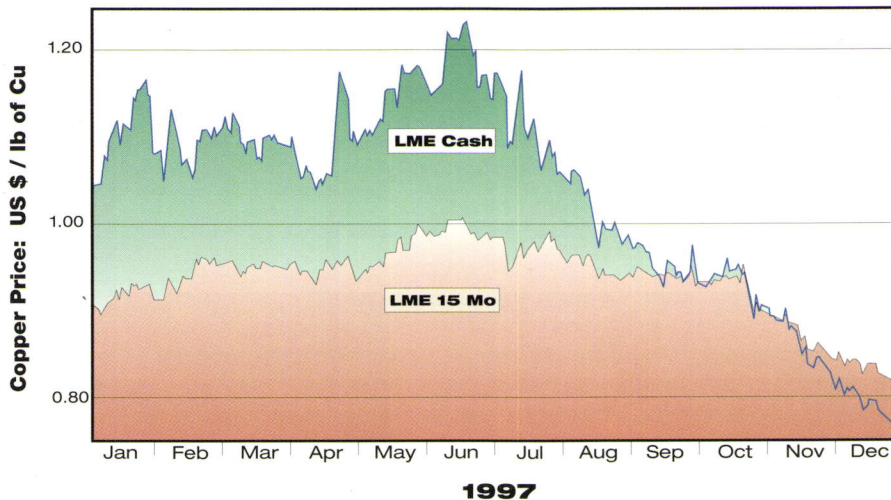
On the Lisbon Valley Project, Summo obtained by the end of the first quarter 1997 all the permits from the State of Utah and the U.S. Bureau of Land Management (BLM) required to proceed with construction. Management was finalizing the documentation for closing a US\$45 million loan facility when a group of environmentalists challenged the BLM's Final Environmental Impact Statement (FEIS) and Record of Decision (ROD) in an Appeal. Their challenge found a favorable reception with the Interior Board of Land Appeals (IBLA) in Washington, D.C., who issued a Stay on mining until questions are answered regarding the potential for mining to impact a deep aquifer located beneath the proposed mine, and the issue of bonding for protection of this deep groundwater is addressed.

The Stay precluded our ability to close the loan. Summo made every conceivable effort to negotiate a settlement with the environmentalists in order to avoid the lengthy administrative appeal process, however the appellants were unwilling to agree to a settlement which would allow mine development to proceed. Summo was forced to suspend final engineering and construction activities, and halt final documentation on the construction loan, while we drilled a network of deep groundwater monitor wells and collected additional groundwater quality information to respond to the deficiencies perceived by the IBLA.

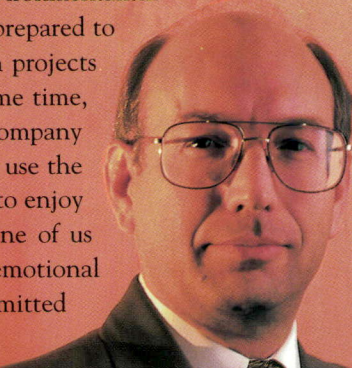
Summo has completed these activities and has remitted the data to the BLM, who will officially respond to the IBLA's Stay by early March. A decision from the IBLA on the Appeal is expected in the second quarter 1998. The data support the conclusions and recommendations made by the BLM in the FEIS and ROD, and should prompt the IBLA to lift the Stay on mining and rule against the Appeal. It is our belief that reason and good judgment will prevail this time and Summo will be allowed to proceed with construction at the Lisbon Valley Project in the third quarter of 1998.

The Appeal and Stay on Lisbon Valley had repercussions throughout Summo's portfolio of projects. Summo delayed further work on the Copper Spur, Cashin, and Champion copper properties, while maintaining the properties, in order to conserve capital for continued work on the Lisbon Valley Project. The options to purchase the Cactus Gold Mines property were dropped, as a result of the need to conserve capital for Lisbon Valley and because of weakness in the gold price.

I view times of depressed prices as an opportune time to build new projects and acquire new assets, in order to be able to take advantage of positive price movements when they occur. For this reason I look forward to continuing to forge ahead on the Lisbon Valley Project, as well as on other properties. We can look back to last year to see how quickly the copper market can turn around.



The theme in this year's annual report is awareness; awareness of not just the value inherent in the Company's portfolio of properties and the capriciousness of the copper market. We, as shareholders in the Company and stakeholders in the various projects, also need to be aware of the significant impact environmentalism has on the mining business, and we have to be prepared to deal with the issues this force brings to bear on projects both in North America and abroad. At the same time, we all need to remain aware that as a mining company we provide a service to society, in delivering for use the raw materials necessary for all of us to continue to enjoy a comfortable lifestyle, one which I'm sure none of us wish to see diminished or jeopardized for emotional or irrational reasons. Your company is committed to minimizing the impact of mining on the



SUMMO RESERVES AND INDICATED RESOURCES^

Reserves

Indicated Resources^

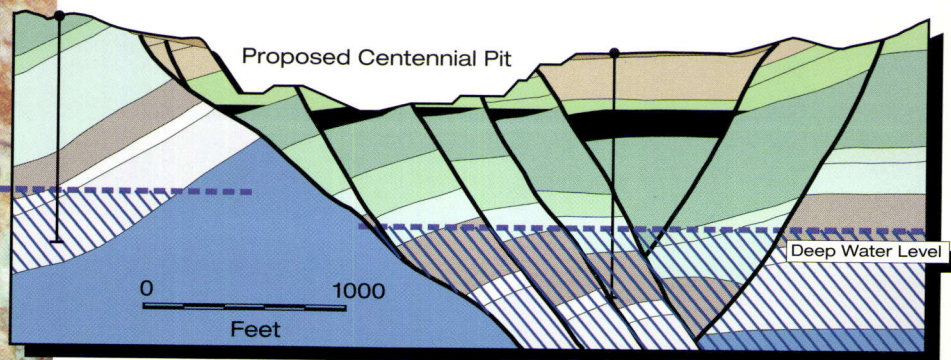
Property	Tons	Grade	Strip Ratio	Tons	Grade
Lisbon Valley*	46,500,000	0.424%	2.36	50,000,000	0.40%
Lisbon Valley+	35,000,000	0.460%	1.84		
Copper Spur				1,000,000	1.50%
Cashin				13,000,000	0.50%
Champion				19,000,000	0.34%
Totals*	46,500,000	0.424%	2.36	83,000,000	0.42%

* = Reserves at copper price of \$1.10/lb.

+ = Reserves at copper price of \$0.90/lb.



^The U.S. Securities and Exchange Commission does not recognize the category "resource" for disclosure in publicly filed documents for deposits which fail to qualify as reserves, preferring instead the use of the term "mineral deposit". The Society for Mining, Metallurgy, and Exploration Inc. (SMME), the premier mining professional organization in the United States, recommends the use of the term "indicated resource" to distinguish a mineral deposit which has been identified by substantial technical data but which lacks sufficient economic data to categorize the deposit as a reserve. Summo Minerals Corporation uses the term "indicated resource" as defined by SMME and summarized above.



Lisbon Valley Copper Project Centennial Deposit Area • Section 42,000E

LISBON VALLEY PROJECT

Lisbon Valley Development

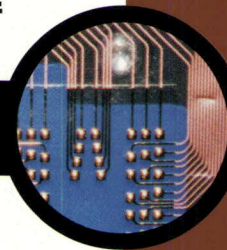
Permitting with the State of Utah was completed in January, 1997. The Final Environmental Impact Statement was issued by the U.S. Bureau of Land Management (BLM) in February, 1997; a Record of Decision approving construction and operation was issued in March, 1997. However, in May, 1997 a group of environmentalists filed an Appeal and Petition for Stay against the Bureau of Land Management's decision. The Appeal found a favorable reception with an administrative judge of the Interior Board of Land Appeals (IBLA) in Washington, D.C., who issued a stay on mining until questions regarding the potential impact of a deep groundwater aquifer could be addressed.

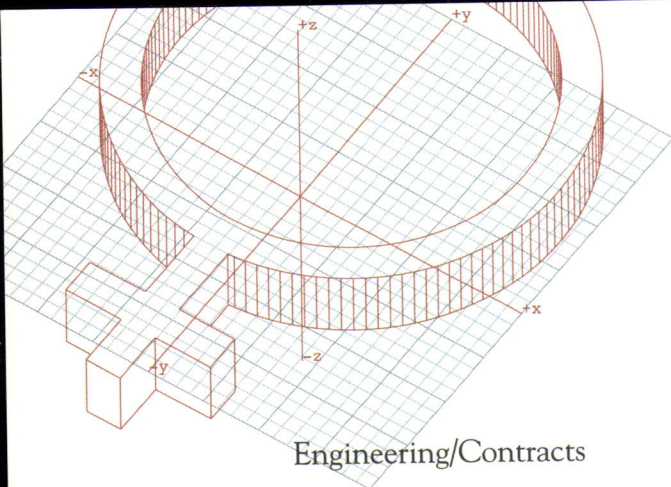
The Bureau of Land Management required Summo to drill a series of deep monitor wells in order to gather more information on groundwater flow and water chemistry. Summo completed a total of eight new wells, which supplement the twelve wells already present on the property. Four of the new wells provide data on the deep aquifer which underlies the project area and the proposed pit bottoms.

Water from these wells was sampled for geochemical characterization and water quality classification. Summo also acquired additional groundwater information on the deep aquifer from outside of the project area to support the understanding of groundwater flow and water quality regionally.

The data were submitted to the BLM in January 1998. The BLM have reviewed the data, and after thorough consideration, submitted their formal response to the IBLA March 9, 1998, defending the conclusions and recommendations in the FEIS and ROD and requesting that the Appeal be dismissed. The BLM also concluded there is no additional bonding requirement at this time to protect ground water resources. The IBLA is now fully briefed in the matter and should rule on the merits of the Appeal by the end of the second quarter 1998.

Bob Prescott, Tim Keogh, and Theresa Kershaw





Engineering/Contracts

JE Mincorp. was finalizing detailed engineering for the plant and surface facilities when progress was halted. The Industrial Company (TIC) commenced fabrication of the primary gyratory crusher and the conveying and stacking system when work was suspended. These components are being stored pending authorization to resume construction. All of the participants in the project remain eager to continue services to Summo and the Lisbon Valley Project once the Stay is lifted and the Appeal is resolved in Summo's favor.

Financing

ING (U.S.) Capital Corporation and Heller Financial Services had signed a commitment to lend Summo US\$45 million for construction of the project. Closing of the facility was interrupted by the Appeal and Stay. Both institutions remain interested in concluding documentation for the loan at the appropriate time.



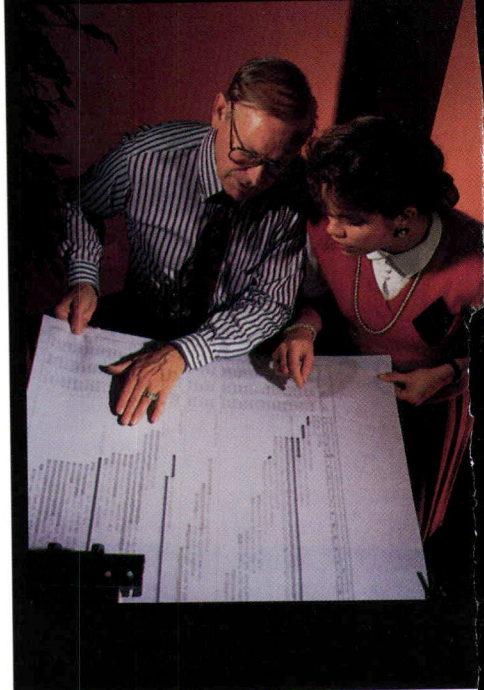
Summo and St. Mary Land & Exploration Company of Denver, Colorado (St. Mary) agreed to form Lisbon Valley Mining Company LLC (LVM), a single purpose company created to operate the Lisbon Valley Copper Project.

St. Mary will provide US\$12.6 million in financing and surrender its shares in the company. St. Mary will own 55% and Summo will own 45% of LVM and Summo will be the operator.

This transaction will be carried out by a Plan of Arrangement under B.C. law. Summo also entered into separate agreements with the mining contractor for Lisbon Valley, Brown & Root, Inc., and with the construction contractor for the project, TIC, for notes totaling US\$4.5 million convertible into Summo common shares. The above transactions are to close simultaneously with the closing of the US\$45 million bank financing with ING/Heller, once the issue of the Appeal is resolved favorably and copper prices improve.

Anticipated Schedule

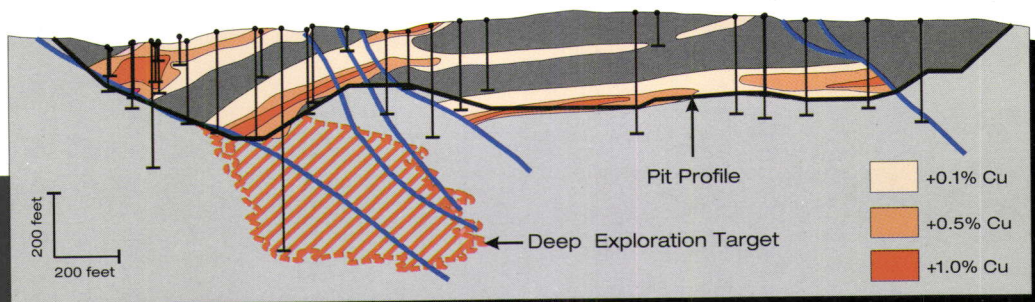
Summo hopes to resume construction in the third quarter of 1998. Completion of the crushing plant and surface facilities is expected to take ten months. Mining, placement of crushed ore on the pads, and leaching should commence in the second quarter of 1999 while the SX-EW plant is being completed. Copper production should commence in the third quarter of 1999, reaching full production capacity of 40 million pounds of copper cathode annually by the end of 1999.



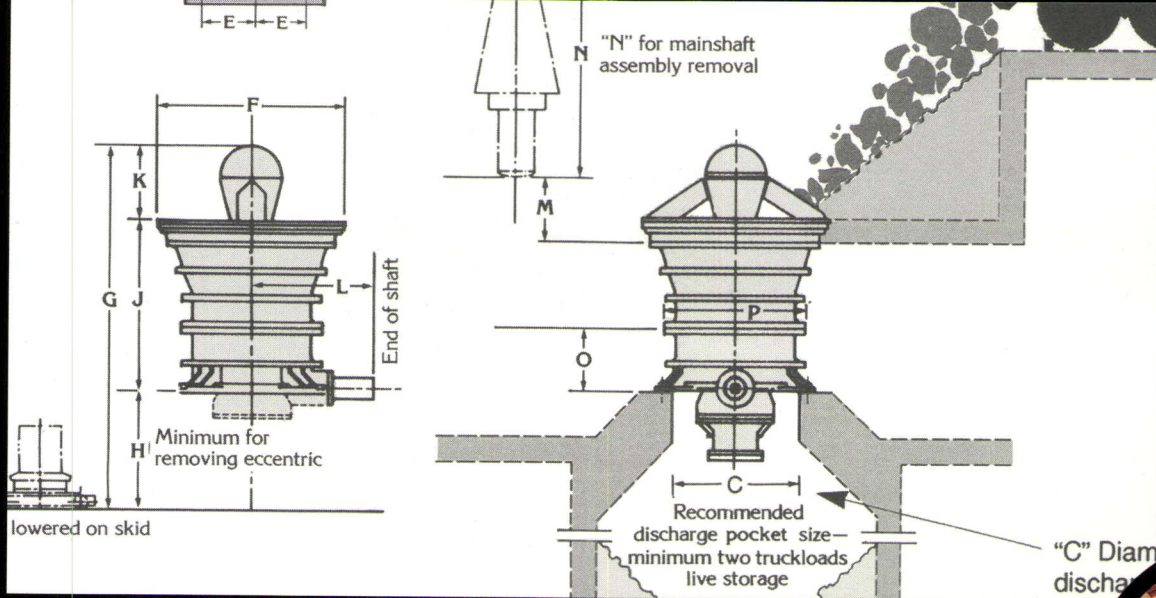
Exploration

A drilling program will test the potential for ore between the proposed Sentinel and Centennial pits in 1998. The possibility that the two deposits represent the opposite ends of one large deposit is indicated by open extensions to ore beyond current proposed pit limits at both deposits, and by ore intercepts in six widely-spaced holes completed between the two deposits.

The resource contained between the two deposits has the potential to double the current reserve of 46.5 million tons grading 0.424% Cu. Another resource exists beneath the proposed Centennial pit adjacent to the Lisbon Valley Fault. This area will be drilled for continuity and grade once mining of the Phase 2 portion of the pit is completed. Discovery of additional reserves in these target areas would allow Summo to either expand production or extend the projected mine life considerably.



Centennial Deposit Area • Section 40,600 North

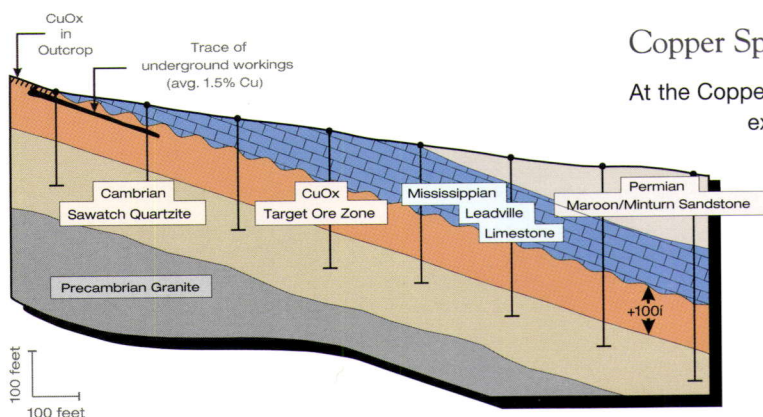


LISBON VALLEY PROJECT





COPPER SPUR, CASHIN AND CHAMPION PROJECTS



Copper Spur Property
Drill Access Road Section showing Proposed 1998 Drill Holes

Copper Spur Project

At the Copper Spur property we expect to drill the extension of the high grade (average 1.75% Cu) stratabound copper oxide system, exposed in old underground workings, this summer. The target has a strike length of roughly 5000 ft. and a dip length

of roughly 1500 ft., for a total target potential of +60,000,000 tons. With the potential for average grade as revealed in the old underground workings this property has the potential to add over 1 billion pounds of copper to the Company's mineral inventory. The property has similarity in host rock type and geologic setting to deposits in the Zambian Copper Belt.

Cashin and Champion Projects

At the Cashin and Champion properties, work is on hold while we resolve the appeal on Lisbon Valley.

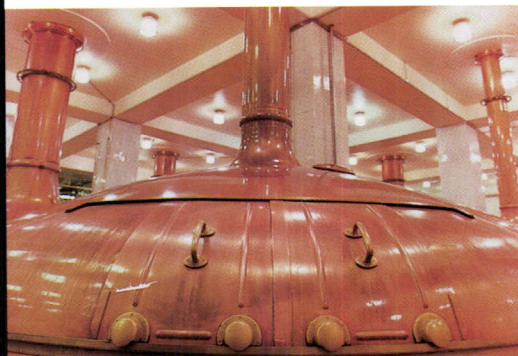
Summo continued reclamation activities on exploration access roads and drill sites, and areas of historic disturbances, in order to demonstrate our desire to operate in an environmentally responsible manner and to practice good stewardship of the land.

Reclamation completed in 1996 on a previous exploration property was proclaimed by one State of Colorado inspector as "... the best I have ever seen. The re-established grades exactly match the surrounding natural areas". This work is exemplary of Summo's approach towards reclamation and the Company's commitment to minimize the impact of its activities on the environment.

Summo continues to evaluate new properties and acquisition opportunities which could add value to the Company.

Summo looks forward to supplying the increasing domestic and ultimately international demand for copper in an environmentally and socially responsible manner. Mining is an integral part of every person's life; we want people to think of Summo when they think of copper and the many ways copper enriches our lives.

Reclaimed Drill Road



Brew Kettles • Coors Brewery
Golden, Colorado

Management's Responsibility for Financial Reporting to The Shareholders of Summo Minerals Corporation

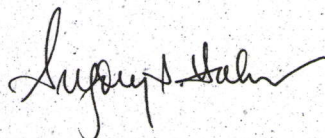
The accompanying financial statements of Summo Minerals Corporation and all information in the Management's Discussion and Analysis of Financial Condition and Results of Operations are the responsibility of the management of the Company. Consolidated balance sheets of the Company as at December 31, 1997 and 1996 and the consolidated statements of income (loss) and deficit for the years ended December 31, 1997, 1996, and 1995, have been prepared using the accounting policies described in Note 1 to the consolidated financial statements and reflect management's best estimates and judgments. Financial information presented throughout this report is consistent with data presented in the consolidated financial statements.

A system of internal accounting control is maintained in order to assure, on a reasonable and cost effective basis, the reliability of this financial information. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate authority and segregation of responsibilities.

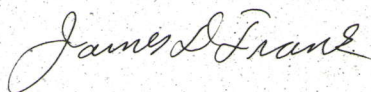
The Board of Directors discharges its duties related to the consolidated financial statements by reviewing and discussing financial information prepared by management and through the activities of its Audit Committee composed of three directors. The Committee meets with management to assure that it is performing responsibly to maintain financial controls and systems and to review the annual consolidated financial statements of the Company. The Audit Committee also meets with the independent auditors to review the results of their audit examination prior to recommending its approval of the consolidated financial statements.

The consolidated financial statements have been audited by Coopers & Lybrand, Chartered Accountants. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

March 2, 1998



Gregory A. Hahn
Director, President and Chief Executive Officer



James D. Frank
Vice President-Finance and Chief Financial Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's consolidated financial statements included in this report. All monetary figures discussed are in United States dollars.

Operations

Lisbon Valley Project—The Company has been hampered in its efforts to advance the Lisbon Valley Copper Project. By the end of the first quarter 1997, all the permits from the State of Utah and the United States Bureau of Land Management ("BLM") required to proceed with construction had been obtained. Management was finalizing the documentation for closing a \$45 million loan facility when a group of environmentalists challenged the BLM's Final Environmental Impact Statement ("FEIS") and Record of Decision ("ROD") in an Appeal. Their challenge found a favorable reception with the Interior Board of Land Appeals (IBLA) in Washington, D.C., who issued a stay on mining until questions are answered regarding the potential for mining to impact a deep aquifer located beneath the proposed mine, and the issue of bonding for protection of this deep groundwater is addressed.

The Partial Stay precluded the Company's ability to close the loan agreed upon with two major international lending institutions and the Plan of Arrangement with St. Mary Minerals required to put the Lisbon Valley Copper Project into production. The Company was therefore forced to suspend final engineering and construction activities and halt final documentation on the construction loan while a network of deep groundwater monitor wells was drilled in order to collect additional groundwater quality information needed to respond to the deficiencies perceived by the IBLA. As of the date of this writing, the Company has completed these activities and has remitted the data to the BLM who will officially respond to the IBLA's Partial Stay by March, 1998. The data collected from these new monitor wells supports the original conclusions and recommendations made by the BLM in the FEIS and ROD. A decision from the IBLA on the Appeal is expected in the second quarter, 1998.

In the event the Appeal is lifted and construction and mining can proceed, the Company has a contract with Brown & Root, Inc. to provide contract mining services and supply a new mobile equipment fleet for the project. MinCorp and The Industrial Company (TIC) will perform detailed engineering and construction respectively on a lump-sum basis. Power for the project was arranged through PacifiCorp on a long-term basis, and a contract was signed with Kennecott Utah Copper Corporation to provide acid for leaching for the first five years. A sales agreement has been negotiated with a metal trading company to purchase copper cathode FOB mine site.

Plans for Developing Lisbon Valley—On August 15, 1997, the Company's shareholders approved an agreement between Summo Minerals Corporation and its wholly-owned subsidiary, Summo USA Corporation ("Summo USA") and St. Mary Land & Exploration Company ("St. Mary") and its wholly-owned subsidiary St. Mary Minerals, Inc. ("SMI"), to form Lisbon Valley Mining Company, LLC ("LVM"), a single purpose company created to operate the Lisbon Valley Copper Project. The transaction will be carried out by a Plan of Arrangement (the "Arrangement") under section 252 of The Company Act (British Columbia).

Under the terms of the Arrangement, the Company will contribute to LVM its entire interest in the Lisbon Valley Property, including all project permits and contracts, approximately \$3,200,000 in cash, the proposed \$45,000,000 senior debt facility (the "Project Loan") to be provided by Heller Financial, Inc. and ING Capital (collectively "the Banks") and a corporate guarantee of the Project Loan to the Banks until project completion. SMI, which currently owns 37.3% of the issued shares of the Company, will contribute to LVM 9,924,093 shares of the Company, which will be returned to the Company and cancelled, \$4,000,000 in cash, and \$8,600,000 in Letters of Credit to the Banks. SMI and the Company will own 55% and 45% of LVM, respectively, and Summo USA will be the Operator. SMI has granted the Company an option to purchase an additional 5.1% of LVM for a period of one year. The Company and SMI will also contribute to LVM their respective interests in the Champion Property.

The Arrangement is contingent upon, among other things, the Partial Stay being lifted and the Appeal of the Record of Decision being resolved in a manner satisfactory to the Banks, Summo USA and SMI, as well as the closing of all financing arrangements for the Lisbon Valley Project. The outlook for copper prices must also be sufficient to support economic development of the project. At this date, these matters are not yet resolved.

Upon successful lifting of the Partial Stay and the completion of financing, construction will begin with road work, site preparation, and installation of foundations for buildings and crushers. Crushers should be delivered 3 months later and be fully installed and operable 6 months after delivery. Leach pads and ponds will be installed simultaneously with the crushers. Mining is scheduled to begin upon completion of the crusher. Process facilities will follow and should be complete 12 months after construction begins.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Mining will deliver 4.7 million tons of ore annually to the primary crusher. Acid leaching of crushed ore on the double-lined pad should return sufficient copper in solution for production of 40 million pounds of cathode copper annually at a cash cost of \$0.47/lb. The current reserves will provide a minimum mine life of 7-10 years at these production levels, depending upon copper prices.

Other Projects—The Company did no exploration work on either the Champion Project or the Cashin Project in 1997. The Company took an option on the Cactus Gold Mines Property which was allowed to expire due to the precipitous drop in gold prices throughout 1997.

Results of Operations

The Company reported a net loss of \$1.3 million in 1997 as compared to a net loss of \$0.86 million in 1996 and \$0.50 million in 1995. The change is due to increased exploration expense and increasing general and administrative costs. During 1995, the Company began developing its general and administrative support staff, increasing salary cost. The Company completed a 10-SB filing for registration with the United States Securities & Exchange Commission which caused consulting and management fees to increase in 1996. Also in 1996, the Company started to staff up for construction of Lisbon Valley by hiring a Chief Financial Officer, an Assistant Vice-President of Land & Government Affairs and a Controller. The salary expense associated with these officers was realized for the full year in 1997 as compared to the staggered additions throughout 1996. The 1997 results also reflect the unsuccessful exploration of the Cactus Gold Mines Property. The Company had acquired options to purchase the interests of two mining companies in this property located in California and spent in excess of \$500,000 performing feasibility tests before the precipitous drop in gold prices forced the Company to reconsider and allow the option to expire. The 1997 results were offset by \$0.2 million of expenses allocated to the Lisbon Valley Project and capitalized as part of construction in progress.

Capital Resources and Liquidity

At December 31, 1997 the Company held cash and cash equivalents of \$2.32 million compared to \$0.85 million at December 31, 1996. This increase is due primarily to the private placement of stock which occurred in May 1997, tempered by an increased level of investing activity in the Lisbon Valley Property.

The Company invested a total of \$4.43 million in 1997 as compared to \$2.65 million in 1996 and as compared to \$2.34 million (including \$0.28 million by issuance of shares in exchange for property) in 1995 respectively, in the acquisition, exploration and development of its mineral property interests. Of these amounts, \$4.10 million, \$2.25 million, and \$1.9 million (\$0.22 million) were invested in the Lisbon Valley property for the years 1997, 1996 and 1995, respectively. The Company has invested \$0.04 million, \$0.17 million and \$0.25 million on the Cashin property and \$0.07 million, \$0.21 million and \$0.16 million on the Champion property and \$0.01, -\$0- and -\$0- on the Copper Spur property for these same years.

Cash provided by financing activities of \$7.5 million in 1997 as compared to \$1.45 million in 1996 and \$5.56 million in 1995 is due to private placement shares issued for all three years and \$2.3 million received as 55% reimbursement of Lisbon Valley Mineral Property development costs from SMI in connection with the pending formation of LVM.

Pending availability of financing, the Company plans to restart the construction of the Lisbon Valley mine in 1998. The Company had previously secured a financing agreement dependent on certain circumstances, as discussed above. Management believes the Company has sufficient cash on hand until the resolution of these matters is realized. However, the Company may have to sell additional shares for working capital if these matters are not resolved and no assurance can be given that this capital can be raised in the existing equity market.

Risk Factors

Following is a synopsis of potential risk factors which could affect the Company.

Price of Copper—All of the Company's current projects are copper properties. The Company's profitability will be largely determined by the market price of copper, which is determined in world markets and is subject to wide fluctuations. The Company has no control or influence on the market price of copper. While the Company intends to employ a copper price hedging strategy at such time as it begins production, in the event of a severe and prolonged decrease in the price of copper, the ability of the Company to raise capital and to operate profitably could be impaired and development and production activities may have to cease from time to time.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financing and Expiration of Contracts—As discussed throughout this document, the Company is developing the Lisbon Valley project. As part of this development, the Company has entered into a number of contracts for construction, mining and operating supplies. These contracts are contingent upon the Company obtaining necessary financing which is in turn contingent upon the Partial Stay being lifted and the Appeal of the ROD being resolved in a manner satisfactory to the Banks involved, Summo USA and SMI. If these issues are not resolved and the Company is unable to complete the financing within a reasonable period of time, some of these contracts could require renegotiation resulting in possible increased costs over the life of the project.

Regulatory and Environmental Matters—The following discussion is necessarily brief and is not intended to constitute a complete discussion of the various statutes, rules and governmental orders to which operations of the Company may be subject. All of the Company's properties are located in the United States and the Company has no present intent to acquire properties outside of the United States. Accordingly, the Company should not be subject to any environmental regulations outside of the United States. The Company's operations are and will be subject to extensive federal, state and local governmental regulations in the United States, which regulations may be revised or expanded at any time. A broad number of matters are subject to regulation. Generally, compliance with these regulations requires the Company to obtain permits issued by federal, state and local regulatory agencies. Certain permits require periodic renewal or review of their conditions. The Company cannot predict whether it will be able to obtain or renew such permits or whether material changes in permit conditions will be imposed. The inability to obtain or renew permits or the imposition of additional conditions could have a material adverse effect on the Company's ability to develop and operate its properties.

A substantial portion of the Company's interests in properties is established under the United States General Mining Law of 1872 (the "General Mining Law"). Under the General Mining Law, the right to extract valuable minerals discovered on federal public lands may be obtained by locating unpatented claims in the prescribed manner by filing a certificate of location in the appropriate county and federal register and paying the required recording fees. The United States Congress has previously considered a number of proposed amendments to the General Mining Law. The proposed legislation would have, among other things, changed the current patenting procedures, including the imposition of greater fees for patents, enacted new reclamation, environmental controls and restoration requirements and required the payment of a production royalty on claims. Although legislation has not been enacted, attempts to amend the General Mining Law can be expected to continue. The potential impact on the Company as a result of congressional action is difficult to predict, but would, in the case of imposed royalties, generally reduce the profitability of the Company.

Environmental laws and regulations to which the Company is subject as it progresses from the development stage to the production stage mandate additional concerns and requirements of the Company. Failure to comply with applicable laws, regulations and permits can result in injunctive actions, damages and civil and criminal penalties. The laws and regulations applicable to the Company's activities change frequently and it is not possible to predict the potential impact on the Company from any such future changes.

Certain of the Company's projected operations may be subject to air emission limitations required by the Clean Air Act and state implementing programs. Under the Clean Water Act, the Company will be required to obtain permits under the Environmental Protection Agency's National Pollutant Discharge Elimination System ("NPDES") for discharges of certain pollutants into navigable waters.

The Company's projected mining operations will be subject to the regulatory jurisdiction of the Mine Safety and Health Administration, an agency of the United States Department of Labor. Because the Company is currently in the development stage, it is not possible to predict the impact of these regulations on the Company's operations.

Year 2000—The Company has conducted a review of its computer systems that could be affected by the Year 2000 issue. The Company presently believes that, with upgrades provided by its software suppliers, the Year 2000 issue will not pose significant operational problems or result in additional cost to the Company. However, the Company's ability to conduct its business may be affected by failures of third party computer systems.

Independent Auditor's Report

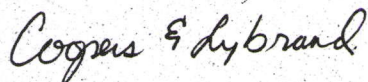
To the Directors and Shareholders of Summo Minerals Corporation:

We have audited the consolidated balance sheet of Summo Minerals Corporation as at December 31, 1997 and 1996 and the consolidated statements of income (loss) and deficit, shareholders' equity, mineral property costs and cash flows for each of the three years in the period ended December 31, 1997, and cumulative from July 23, 1987 (inception) to December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform the audit to obtain a reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Summo Minerals Corporation as at December 31, 1997 and 1996, and the consolidated results of its operations and cash flows for the three years in the period ended December 31, 1997, and its cumulative results of operations and changes in cash flows for the period from July 23, 1987 (inception) to December 31, 1997, in conformity with generally accepted accounting principles in Canada. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

The financial statements for the period from July 23, 1987 (inception) through December 31, 1994, were audited by other auditors who expressed an opinion without reservation on these statements in their report dated February 7, 1995 (except as to Note 3b - Utah State Lease 1766 which was as of August 15, 1995).



Chartered Accountants
Vancouver B.C., Canada

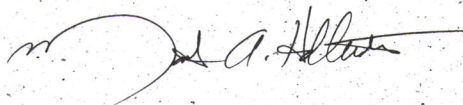
March 2, 1998

Consolidated Balance Sheet

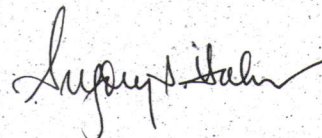
Summo Minerals Corporation
(A Development Stage Company)
United States Dollars

	As of December 31,	
Assets	1997	1996
Current Assets		
Cash and cash equivalents	\$ 2,316,480	\$ 850,823
Accounts receivable	188,504	813
Prepaid expenses	-	5,600
Total current assets	2,504,984	857,236
Mineral properties at cost	7,271,187	5,878,099
Plants, buildings and equipment at cost, net of accumulated depreciation of \$62,747 and \$25,323, respectively	3,608,972	784,176
Other Assets	177,134	-
Total Assets	\$ 13,562,277	\$ 7,519,511
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 19,237	\$ 130,309
Due to related party	-	3,619
Total current liabilities	19,237	133,928
Note payable to related party (note 7a)	2,256,716	-
Total liabilities	2,275,953	133,928
Commitments and Contingencies (notes 1, 3, 7 and 8)		
Shareholders' Equity		
Preferred shares, no par value, 100,000,000 authorized and none issued	-	-
Common shares, no par value, 500,000,000 authorized, 26,577,989 and 19,623,160 issued at December 31, 1997 and 1996, respectively, net of share issuance costs of \$21,836 and \$0 at December 31, 1997 and December 31, 1996, respectively	14,258,532	9,011,388
Deficit—accumulated during development stage	(2,972,208)	(1,625,805)
Total shareholders' equity	11,286,324	7,385,583
Total Liabilities and Shareholders' Equity	\$ 13,562,277	\$ 7,519,511

On Behalf of the Board



Mark A. Hellerstein, Director



Gregory A. Hahn, Director

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Income (Loss) and Deficit

Summo Minerals Corporation
(A Development Stage Company)
United States Dollars

	Cumulative from Inception to December 31, 1997	Year Ended December 31, 1997	Year Ended December 31 1996	Year Ended December 31, 1995
Expenses				
Legal, accounting and audit	\$ 394,112	\$ 83,785	\$ 173,980	\$ 68,647
Travel and promotion	327,149	53,558	116,808	119,274
Salaries	833,071	490,115	188,736	132,707
Foreign exchange loss	62,623	55,783	365	1,918
Listing and filing fees	140,658	60,124	47,155	25,385
Office and miscellaneous	441,557	184,088	210,594	38,597
Shareholders information	102,044	46,145	39,854	9,203
Consulting	319,455	116,776	126,960	71,085
Transfer agent	6,705	-	-	2,799
Management fees	73,339	-	-	57,200
Depreciation and amortization	62,747	37,424	18,091	7,232
Exploration expense	593,409	526,560	21,216	45,633
Interest and bank charges, net	(238,224)	(74,622)	(81,035)	(78,773)
	3,118,645	1,579,736	862,724	500,907
Allocation to construction in progress (Note 4)	(233,333)	(233,333)	-	-
Loss Before the Following	(2,885,312)	(1,346,403)	(862,724)	(500,907)
Impairment of mineral property cost	(91,446)	-	-	-
Gain on sale of mineral property	4,550	-	-	-
Net Loss for the Period	(2,972,208)	(1,346,403)	(862,724)	(500,907)
Deficit—beginning of period	-	(1,625,805)	(763,081)	(262,174)
Deficit—End of Period	\$ (2,972,208)	\$ (2,972,208)	\$ (1,625,805)	\$ (763,081)
Net Loss per Share		\$ (0.06)	\$ (0.05)	\$ (0.04)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Shareholder's Equity

Summo Minerals Corporation
(A Development Stage Company)
United States Dollars

Common Shares Issued & Fully Paid

	Issued	Amount	Deficit	Total
Balance July 23, 1987	-	\$ -	\$ -	\$ -
Issuance of shares (1) at \$0.18/share	481,996	85,900		85,900
Issuance of shares (1) at nominal/share	749,995	5,346		5,346
Income for the year			824	824
Balance September 30, 1988	1,231,991	91,246	824	92,070
Issuance of shares (1) at \$0.18/share	23,989	4,275		4,275
Loss for the year			(3,913)	(3,913)
Balance September 30, 1989	1,255,980	95,521	(3,089)	92,432
Loss for the year			(93,150)	(93,150)
Balance September 30, 1990	1,255,980	95,521	(96,239)	(718)
Loss for the year			(1,203)	(1,203)
Balance September 30, 1991	1,255,980	95,521	(97,442)	(1,921)
Loss for the year			(61)	(61)
Balance September 30, 1992	1,255,980	95,521	(97,503)	(1,982)
Issuance of shares (1) at \$0.18/share	225,000	40,098		40,098
Loss for the year			(521)	(521)
Balance September 30, 1993	1,480,980	135,619	(98,024)	37,595
Issuance of shares (1) at \$0.18/share	2,725,000	485,636		485,636
Contributed surplus		9,859		9,859
Net income for the period			1,634	1,634
Balance December 31, 1993	4,205,980	631,114	(96,390)	534,724
Issuance of shares (1) at \$0.18/share	2,400,000	427,716		427,716
Issuance of shares (2) at \$0.39/share	1,500,000	588,110		588,110
Issuance of shares (3) at \$0.39/share	225,000	88,216		88,216
Issuance of shares (4) \$0.18/ share Lisbon Valley	1,200,000	213,858		213,858
Loss for the year			(165,784)	(165,784)
Balance December 31, 1994	9,530,980	1,949,014	(262,174)	1,686,840
Issuance of shares (1) at \$0.86/share net of share issue costs	2,670,000	2,309,280		2,309,280
Issuance of shares for mineral property- Champion at \$0.73 per share	80,000	58,369		58,369
Issuance of shares (3) at \$0.44/share	165,000	72,623		72,623
Issuance of shares (3) at \$0.45/share	250,000	111,599		111,599
Issuance of shares (4) \$0.19/share Lisbon Valley	1,200,000	223,564		223,564
Issuance of shares (1) at \$0.77/ share	3,680,000	2,840,967		2,840,967
Loss for the year			(500,907)	(500,907)
Balance December 31, 1995	17,575,980	7,565,416	(763,081)	6,802,335
Issuance of shares (3) at \$0.44/share	665,000	293,411		293,411
Issuance of shares (3) at \$0.89/share	150,000	132,775		132,775
Issuance of shares (1) at \$0.81/share	1,232,180	1,000,000		1,000,000
Contributed surplus		19,787		19,787
Loss for the year			(862,724)	(862,724)
Balance December 31, 1996	19,623,160	9,011,389	(1,625,805)	7,385,584
Issuance of shares (3) at \$1.16/share	280,000	250,963		250,963
Issuance of shares (3) at \$1.03/share	100,000	102,740		102,740
Issuance of shares (1) at \$0.73/share	6,573,329	4,913,976		4,913,976
Issuance of shares (3) at \$0.72/share	1,500	1,300		1,300
Share Issuance Costs		(21,836)		(21,836)
Loss for the period			(1,346,403)	(1,346,403)
Balance December 31, 1997	26,577,989	\$ 14,258,532	\$ (2,972,208)	\$ 11,286,324

Notes:

- (1) For Cash Private Placement
- (2) For Cash Public Offering
- (3) For Exercise of Warrants or Share Options
- (4) For Mineral Property - determined in arm's length negotiation with vendor

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Mineral Property Costs

Summo Minerals Corporation
(A Development Stage Company)
United States Dollars

Direct	Cumulative from Inception to December 31, 1997	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Lisbon Valley, Utah, USA				
Land costs	\$ 1,394,141	\$ 94,362	\$ -	\$ 906,794
Geophysical, geological and engineering	241,027	21,212	-	122,666
Drilling	483,877	206	35,066	126,602
Metallurgy	371,279	36,768	42,540	154,797
Feasibility	489,127	515	303,030	185,582
Legal	68,048	-	-	24,751
Taxes, licenses and insurance	14,072	-	-	-
Assaying	13,064	-	-	-
Permitting	1,930,697	656,614	921,916	176,327
Support, accommodation and general costs	1,046,229	465,312	167,658	203,559
	6,051,561	1,274,989	1,470,210	1,901,078
Cashin, Colorado, USA				
Land costs	448,863	38,141	118,749	129,701
Geophysical, geological and engineering	50,394	147	-	18,344
Drilling	146,905	100	22,447	84,909
Metallurgy	24,370	-	18,862	5,508
Legal	15,574	-	-	757
Taxes, licenses and insurance	609	-	-	-
Permitting	20,626	188	6,696	5,633
Support, accommodation and general costs	38,731	-	-	5,303
	746,072	38,576	166,754	250,155
Champion, New Mexico, USA				
Land costs	241,107	57,781	104,196	79,130
Geophysical, geological and engineering	23,366	1,024	3,821	18,521
Drilling	166,657	-	101,548	65,109
Metallurgy	5,656	312	5,344	-
Permitting	239	170	69	-
Support, accommodation and general costs	8,296	6,148	-	2,148
	445,321	65,435	214,978	164,908
Copper Spur, Colorado, USA				
Land costs	11,535	3,099	8,436	-
Geophysical, geological and engineering	14,704	9,549	5,155	-
Permitting	1,340	1,340	-	-
Support, accommodation and general costs	654	100	554	-
	28,233	14,088	14,145	-
Jonathan's Pond property—Newfoundland	91,446	-	-	-
Costs for the period	7,362,633	1,393,088	1,866,087	2,316,141
Balance—beginning of period	-	5,878,099	4,012,012	1,695,871
Less: write-off of mineral property	(91,446)	-	-	-
Balance—End of Period	\$ 7,271,187	\$ 7,271,187	\$ 5,878,099	\$ 4,012,012

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Summo Minerals Corporation
(A Development Stage Company)
United States Dollars

	Cumulative from Inception to December 31, 1997	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Operating Activities				
Net loss	\$ (2,972,208)	\$ (1,346,403)	\$ (862,724)	\$ (500,907)
Items not affecting cash:				
Depreciation and amortization	62,747	37,424	18,091	7,232
Impairment of mineral properties at cost	91,446	-	-	-
	(2,818,015)	(1,308,979)	(844,633)	(493,675)
Change In Current Assets and Liabilities				
Accounts receivable	(188,504)	(187,691)	5,302	(2,164)
Prepaid expenses	-	5,600	(3,108)	(2,267)
Accounts payable and accrued liabilities	19,237	(111,072)	43,186	79,184
Due to related party	-	(3,619)	(126,642)	(51,968)
Net cash used in operating activities	(2,987,282)	(1,605,761)	(925,895)	(470,890)
Investing Activities				
Mineral property costs	(7,362,633)	(1,393,088)	(1,866,087)	(2,316,141)
Plant, buildings and equipment	(3,671,719)	(2,862,220)	(785,843)	(23,656)
Other assets	(177,134)	(177,134)	-	-
Net cash used in investing activities	(11,211,486)	(4,432,442)	(2,651,930)	(2,339,797)
Financing Activities				
Issuance of share capital (net of issue costs)	14,258,532	5,247,144	1,445,972	5,616,402
Due to related party	2,256,716	2,256,716	-	-
Net cash provided by financing activities	16,515,248	7,503,860	1,445,972	5,616,402
Net increase (decrease) in cash and cash equivalents	2,316,480	1,465,657	(2,131,853)	2,805,715
Cash and cash equivalents— beginning of period	-	850,823	2,982,676	176,961
Cash and Cash Equivalents— End of Period	\$ 2,316,480	\$ 2,316,480	\$ 850,823	\$ 2,982,676

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Incorporation and Nature of Operations

The Company was incorporated in British Columbia as No. 96 Sail View Ventures Ltd. on July 23, 1987 and subsequently changed its name to East Coast Explorations Ltd. on September 11, 1987 and then to Summo Minerals Corporation on October 15, 1993. As discussed in Notes 3 and 7, the Company has entered into numerous transactions and agreements with its majority shareholder, St. Mary Land & Exploration Company ("St. Mary"), an approximate 37% and 49% shareholder at December 31, 1997 and 1996, respectively.

The Company is in the process of exploring its mineral properties and, with the exception of Lisbon Valley, has not yet determined whether the remaining properties contain reserves that are economically recoverable. The recoverability of the amounts shown for those remaining mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent future values.

2. Significant Accounting Policies

a) General. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In 1995, the Company changed its functional currency from the Canadian dollar to the United States dollar to reflect the change in status of its mineral property base. All prior year amounts have been restated in United States dollars using the translation of convenience. Canadian currency is reflected in these financial statements as "Cdn".

b) Basis of Consolidation. These financial statements include the accounts of the Company and its wholly owned subsidiary, Summo USA Corporation ("Summo USA"), which was incorporated by the Company in the state of Colorado, USA on October 14, 1993. These financial statements include operations of the subsidiary from its date of incorporation. All intercompany transactions have been eliminated.

c) Cash and Cash Equivalents. Cash equivalents include highly liquid instruments which, on acquisition, have a term to maturity of three months or less, and are not subject to significant risk from changes in interest rates. Cash and cash equivalents of the Company consist primarily of United States and Canadian variable income commercial paper, which are capable of reasonably prompt liquidation, and are stated at amortized cost, which approximates market value. The Company restricts investment of temporary cash balances to financial institutions with high credit standing. The Company strives to minimize its credit risk through diversification of investment and financial institutions. To date, these concentrations of credit risk have not had a significant effect on the Company's financial position or results of operations.

d) Mineral Properties

i) Capitalization: The Company capitalizes costs for its mineral properties. Mineral exploration and development costs are capitalized on an individual prospect basis until such time as the economics of an ore body are defined. If production commences, these costs are amortized on a units of production basis calculated on the estimated life of the ore reserves. Unrecoverable costs for prospects determined to be commercially not feasible are expensed in the year in which the determination is made. The costs of exploration programs not anticipated to result in additions to the Company's reserves are expensed as incurred.

ii) Carrying Values. The recoverability of amounts capitalized for undeveloped mineral properties is subject to review by Company geologists and/or engineers and is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. An independent Feasibility Study was completed in August 1995 for the Lisbon Valley property which confirmed the existence of economically recoverable ore reserves. This Feasibility Study was confirmed by a third party engineering firm during due diligence performed for the benefit of the Banks. A determination of economically recoverable ore reserves has not yet been completed for the Champion, Cashin or Copper Spur properties.

Notes to Consolidated Financial Statements

e) Foreign Currency Translation. The integrated Canadian operations of the Company are translated into United States dollars using the temporal method, which translates monetary assets and liabilities at the year-end exchange rate and translates revenue and expenses at average exchange rates for the period. Non-monetary assets and liabilities are translated at the rates of exchange prevailing when the assets were acquired or the liabilities were assumed. Translation gains or losses are included in the determination of net income for the period.

f) Net Loss Per Share. Net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Common share equivalents are not included as the effect would be anti-dilutive.

g) Presentation. Certain prior year account balances have been reclassified to conform to the 1997 presentation. This reclassification had no effect on total assets, liabilities or net loss.

3. Mineral Property Costs

a) Capitalized costs of the properties, all of which are in the United States, are as follows:

	December 31, 1997	December 31, 1996
Lisbon Valley, Utah	\$ 6,051,561	\$ 4,776,572
Cashin, Colorado	746,072	707,496
Champion, New Mexico	445,321	379,886
Copper Spur, Colorado	28,233	14,145
	<u>\$ 7,271,187</u>	<u>\$ 5,878,099</u>

b) Lisbon Valley, Utah. The Lisbon Valley Property consists of land and federal leases comprising 5,940 acres. The Property comprises 256 unpatented lode mining claims and fractions, three State of Utah leases covering approximately 960 acres, a lease of approximately 160 acres of private land and fee ownership of approximately 400 acres of private land.

Summarized details of the underlying subleases, leases and agreements which have mineable reserves are as follows:

The Company has entered into a number of agreements necessary to commence production subject to successful financing of the Lisbon Valley mine. These agreements are summarized as follows:

i) Engineering, Procurement and Construction Contract—The Company has signed a contract with The Industrial Company ("TIC") to design, engineer and construct the facilities on the Lisbon Valley Property on a fixed lump-sum basis. The full contract price is approximately \$34 million with approximately \$2,700,000 paid through December 31, 1997.

ii.) Contract Mining Agreement—The Company has signed a contract with Brown & Root, a contract mining firm (the "Contractor") to provide services including excavation, removal and hauling services throughout the expected mine life. The Contractor will provide all necessary personnel, equipment, facilities and skills. Compensation to the Contractor will be determined on a monthly progress-to-date basis.

iii) Master Electrical Service Agreement—The Company has entered into a Master Electrical Service Agreement with PacifiCorp, a provider of retail energy and power. Under the terms of the Agreement, the Company has no financial obligation to PacifiCorp until the Company gives PacifiCorp notice of completion of permitting and financing of the Lisbon Valley Project. The Company paid PacifiCorp \$35,000 upon execution of this Agreement.

iv) Byproduct Purchase Contract—The Company has entered into a contract with Kennecott Utah Copper Corporation to purchase the sulfuric acid necessary for heap leach operations. Under the terms of the Contract, the Company has no financial obligation to Kennecott Utah Copper Corporation until delivery commences.

If the Company is unable to complete the financing within a reasonable period of time, some of these contracts could require renegotiation resulting in possible increased costs over the life of the project. (See Note 8.)

Notes to Consolidated Financial Statements

Property	Date	Purchase Price	Expiry	Royalties & Rental Payments
Libson Copper Ltd.	April 20, 1988 amended December 4, 1997	\$500,000 option payable in 4 equal annual payments of \$125,000 commencing on April 15, 1998. Interest to accrue at 10% per annum on unpaid balance of purchase price.		\$0.15 / wet ton royalty on the Sentinel deposit (2)
Utah State Lease #ML30569	May 28, 1963 amended August 15, 1995	N/A	Dec. 31, 2004 unless minerals are then being produced in commercial quantities	4% of gross proceeds with a minimum annual payment of \$7,875 to be credited against royalties.
Tintic	October 15, 1973 amended January 5, 1993	N/A	Oct. 15, 2003 with unlimited additional ten year terms subject to minimum work requirements	3% net smelter returns with minimum payments. of \$1,000/year.
Utah State Lease #ML17661	February 20, 1959 amended August 15, 1995	N/A	Dec. 31, 2004 unless minerals are then being produced in commercial quantities	4% of gross proceeds with a minimum annual payment of \$2,625 to be credited against royalties

Table Notes:

- (1) All minimum royalties have been paid to date. Each agreement covers a distinct parcel of land and the royalties are not cumulative except where noted.
- (2) \$0.15/wet ton royalty is due the Brinton and Knowles estate in addition to obligations to Lisbon Copper Ltd.

The Company has five additional underlying subleases, leases and agreements which do not currently have minable reserves.

c) Champion Property. The Champion Property consists of five patented lode mining claims (approximately 100 acres), four patented millsite claims (approximately 20 acres) and 223 unpatented lode mining claims (approximately 4,200 acres). The Company holds options to acquire a 100% ownership interest in the patented claims and seven unpatented claims, and acquired a 100% ownership interest in another 216 unpatented claims (approximately 4,060 acres) by staking in September 1994 and February 1996. The Company is in the exploration stage with respect to the Champion Property and the property is without a known body of reserves.

The Company entered into an agreement dated November 15, 1994 with St. Mary to acquire St. Mary's interest in this property for 80,000 shares of common stock at \$0.73 per share which represents market value at date of issuance, a 1.5% net smelter return and future payments to claim owners totaling \$940,000 to be made on August 1, as follows:

	Annual Amount
1998 & 1999	\$ 20,000 /yr.
2000 to 2004	30,000 /yr.
2005 to 2014	40,000 /yr.
2015	350,000

Summo may drop the property and thereby discontinue payments at any time.

The Company must also pay a finder's fee of \$100,000 to a non-related company, payable as follows:

- i) \$5,000 at the time of land acquisition.
- ii.) 5% of total direct exploration expenditures annually on the prospect up to a maximum of \$95,000, of which \$9,499 has been paid through December 31, 1997.

Notes to Consolidated Financial Statements

Pursuant to a surface agreement dated June 10, 1996, Summo has the right to utilize 520 acres of private surface for mining facilities which overlies approximately 27 of its unpatented mining claims in exchange for future payments totaling \$771,445 payable on December 30, as follows:

	Annual Amount
1998 & 1999	\$ 7,200 /yr.
2000	8,400
2001	337,000
2002 & 2003	12,000 /yr.
2004 & 2005	13,600 /yr.
2006	22,000
2007 to 2011	26,800 /yr.
2012 to 2016	32,000 /yr.
Thereafter	44,445 /yr.

d) Cashin Property, Colorado. The Cashin Property consists of 14 patented and 122 unpatented mining claims and three millsites (approximately 2,542 acres). Assessment rental fees of \$100 per unpatented claim are required to be paid annually on or before August 31 of each year. The Company is in the exploration stage with respect to the Cashin Property and the property is without a known body of reserves.

By agreements with St. Mary on November 2, 1993, and amended with the landowner on March 29, 1996, and September 9, 1997, the Company was granted the option to acquire a 100% interest in certain patented and unpatented mineral claims. In order to earn the interest, the Company will complete the terms of two prior acquisition agreements whereby St. Mary acquired the right to earn a 100% interest in the properties. These acquisition agreements call for future payments totaling \$595,000 to be made on September 1, as follows:

	Annual Amount
1998	\$ 100,000
1999	100,000
2000	120,000
2001	237,500
2002	37,500

e) Copper Spur Property, Colorado. The Copper Spur Property consists of 30 unpatented lode mining claims (approximately 600 acres). Assessment rental fees of \$100 per unpatented claim are required to be paid annually on or before August 31 of each year. The Company is in the exploration stage with respect to the Cashin Property and the property is without a known body of reserves.

Notes to Consolidated Financial Statements

4. Plant, Buildings and Equipment

Plant, building and equipment represent the original costs of office furniture and fixtures, computer hardware and software, leasehold improvements, and capitalized organization costs less depreciation computed under the straight-line method over the estimated useful life of the asset or, in the case of leasehold improvements, over the remaining lease-term. Estimated lives range from 3 to 7 years.

Construction in progress all relates to the Lisbon Valley project and is stated at cost. No depreciation is calculated on these balances until they are put into service.

Depreciation and amortization expense amounted to \$37,424 in 1997; \$18,091 in 1996; and \$7,232 in 1995. Details of plant, buildings and equipment are as follows:

	December 31, 1997	December 31, 1996
Office furniture and fixtures	\$ 36,824	\$ 36,665
Computer software	31,199	7,692
Computer hardware	36,265	21,947
Leasehold improvements	13,515	13,515
Capitalized organization costs	28,071	28,071
	145,874	107,890
Accumulated depreciation and amortization	(62,747)	(25,323)
	83,127	82,567
Construction in progress	3,525,845	701,609
	\$ 3,608,972	\$ 784,176

5. Share Capital

a) Escrow. At December 31, 1997 the Toronto Stock Exchange (the "TSE") held in escrow 4,650,872 of the Company's common shares. The first third of these shares were released on January 18, 1997 and an additional one-third of these shares are released each anniversary date. These escrow agreements were part of the listing requirements for the exchange.

b) Issued Shares. In 1996, the Company issued 616,090 shares to St. Mary. In 1997, the Company completed a Private Placement of \$4.9 million (Cdn \$6.7 million) for 6,573,329 shares with several parties.

c) Stock Option Plan. The Company maintains an Incentive Stock Option Plan (the "Plan") which was approved by the shareholders on May 26, 1996. The Plan is a successor plan to the Incentive Stock Option Plan authorized under the laws of British Columbia and is administered in accordance with the policies of the TSE. Under the terms of the Plan, the maximum aggregate number of shares of common stock of the Company under option at any specific time to any one optionee will not exceed five percent of the issued and outstanding common stock of the Company. Options may be exercised no later than 10 years after the date on which the option was granted. A total of 2,000,000 shares of the Company's common stock were reserved for issuance under the Plan and the Predecessor Plan at December 31, 1995. The Plan requires the use of fair market value at the date of grant as the basis for determining the exercise price for all options issued to date.

On June 20, 1997, at the Annual General Meeting of Shareholders, the shareholders of the Company approved an amendment (the "Amendment") to the Company's Incentive Stock Option Plan. The Amendment states that (i) the maximum number of shares that may be the subject of options at any given time is increased from 2,000,000 to 3,000,000; (ii) the maximum number of shares which may be issued upon exercise of the options is increased from 2,000,000 to 3,000,000 shares and such maximum is specified to apply only to options granted after May 16, 1997; and (iii) the formulas for issuance of options to directors are deleted and such options may thereafter be granted to directors in the discretion of the committee of the Board of Directors which administers the Plan.

On December 12, 1997, the Board of Directors voted unanimously to amend the exercise price of all outstanding incentive stock options to Cdn \$0.40 per share subject to the approval of the majority of votes cast at the Company's next general meeting of shareholders. The related filing was submitted to the TSE on January 30, 1998. Pursuant to section 634 of the TSE manual, the aforesaid amendment, when accepted by the TSE, will be regarded as the equivalent to the establishment of new options; however the expiry dates for all outstanding options will remain unchanged.

Notes to Consolidated Financial Statements

Data for outstanding options under the Plan is summarized as follows:

	Ave. Option Number of Shares	Price \$Cdn
Outstanding January 1, 1994*	\$ -	-
Granted	830,000	.60
Outstanding December 31, 1994	830,000	-
Granted	390,000	1.20
Exercised	(165,000)	.60
Outstanding December 31, 1995	1,055,000	-
Granted	510,000	1.20
	360,000	1.10
	7,500	1.75
	150,000	1.51
	150,000	1.40
	50,000	2.10
	20,000	1.90
	20,000	1.50
	5,000	1.40
Exercised	(665,000)	.60
	(150,000)	1.20
Outstanding December 31, 1996	1,512,500	-
Granted	600,000	1.20
Exercised	(150,000)	1.20
Outstanding December 31, 1997	1,962,500	-

* None issued prior to 1994

d) Warrants. In conjunction with the 1994 initial public offering of the Company's common stock, the Company issued warrants to purchase 250,000 shares of the Company's common stock at \$0.60 Cdn per share to the underwriter of the offering. The warrants were exercised in 1995.

As a result of a private placement during February 1995, warrants to purchase 2,670,000 shares of common stock were issued. For each share of the Company's common stock purchased in the private placement, the purchaser received one warrant to purchase one share of the Company's common stock, at an exercise price of \$1.38 Cdn, exercisable until January 31, 1997. No warrants had been exercised through December 31, 1996. Subsequent to December 31, 1996, 100,000 warrants were exercised at \$1.38 Cdn and the remaining warrants expired on January 31, 1997.

As a result of a private placement during November 1995, warrants to purchase 3,680,000 shares of common stock were issued. For each share of the Company's common stock purchased in the private placement, the purchaser received one warrant to purchase one share of the Company's common stock, at an exercise price of \$1.21 Cdn, exercisable until October 17, 1997. 281,500 of these warrants were exercised at \$1.21 Cdn in 1997. The remaining 3,398,500 warrants were cancelled as of October 17, 1997.

As a result of a private placement during October 1996, warrants to purchase 1,232,180 shares of common stock were issued. For each share of the Company's common stock purchased in the private placement, the purchaser received one warrant to purchase one share of the Company's common stock, at an exercise price of \$1.10 Cdn per share exercisable until October 17, 1998. None of these warrants have been exercised through December 31, 1997.

As a result of a private placement during May 1997, warrants to purchase 6,573,329 shares of common stock were issued. For each share of the Company's common stock purchased in the private placement, the purchaser received one warrant to purchase one share of the Company's common stock, at an exercise price of \$1.25 Cdn per share, exercisable until May 16, 1999. None of these warrants have been exercised through December 31, 1997.

Notes to Consolidated Financial Statements

6. Income Taxes

The Company has certain income tax losses available for deduction against future income:

Year NOL Expires	Canada	United States
1998	1,000	—
1999	—	—
2000	173,000	—
2001	183,000	—
2002 and later	651,000	3,519,000
Total	\$1,008,000	\$3,519,000

The net operating losses for US purposes expire beginning in 2008. The potential future tax benefits of these expenditures and income tax losses have not been recognized in the accounts of the Company.

7. Related Party Transactions

a) Note Payable to Related Party. Under an agreement dated June 17, 1997 and amended June 27, 1997, October 8, 1997 and December 30, 1997, St. Mary Minerals, Inc. ("SMI") has agreed to lend to Summo USA up to \$2,725,000 in order to continue to advance the Lisbon Valley Project ("LVM"). The amount of the advances drawn down are reimbursement for 55% of expenditures made by the Company on behalf of the LVM Project and directly relate to the 55% interest SMI will hold in the proposed LVM project. In the event the LVM Plan of Arrangement is finalized, the Note Payable will be converted to SMI's interest in the property, otherwise the Company will be obligated to SMI for that principal amount plus accrued interest calculated at Prime plus 1%. Alternatively, after June 30, 1998, and unless extended, SMI can convert that principal and interest amount into common shares of the Company at a conversion price equal to the weighted average trading price of the Company's common shares on the TSE for the twenty trading days preceding and including June 30, 1998. This loan is collateralized by a first lien on the LVM project, which lien shall be released at such time as the lien of the senior project debt lenders shall be granted. At December 31, 1997, unreimbursed amounts of expenditures incurred on behalf of SMI totaling \$175,594 was included in accounts receivable and was received subsequent to year end.

b) Management Agreements. By agreement dated April 1, 1994, effective July 29, 1993 and terminated June 30, 1995, St. Mary was engaged to provide all management and staff services required for the property management activities of Summo USA Corporation. For providing such management and services, St. Mary received reimbursement of all out-of-pocket costs, a 5% fee on all charges by other contractors on contracts in excess of \$20,000 and a 7.5% fee on such charges less than or equal to \$20,000. By verbal agreement effective for the period from July 1, 1995 to December 31, 1995, the Company agreed to pay St. Mary a fee equal to 35% of the base salary of the Denver, Colorado employees of the Company. Effective January 1, 1996, the Company and St. Mary mutually agreed to replace this management agreement with a verbal arrangement wherein St. Mary provides the services outlined in the previous St. Mary Agreement on an as needed basis and is reimbursed by the Company for out-of-pocket costs and a pro rata allocation of the salaries and benefits paid to St. Mary employees who perform services on behalf of the Company.

The Company incurred management fee expenses relating to these agreements of \$87,636 in 1995. The corporate office was moved to Denver in July 1995. As part of this move, the management agreement was modified (see discussion above) to cover only corporate overhead support.

c) Lisbon Valley Mining Company, LLC Plan of Arrangement. On August 15, 1997, the Company's shareholders approved an agreement between the Company and its wholly-owned subsidiary, Summo USA and St. Mary and its wholly-owned subsidiary, SMI, to form LVM, a single purpose company created to operate the Lisbon Valley Copper Project. The transaction will be carried out by a Plan of Arrangement (the "Arrangement") under section 252 of The Company Act (British Columbia).

Under the terms of the Arrangement, the Company will contribute to LVM its entire interest in the Lisbon Valley Property, including all project permits and contracts, approximately \$3,200,000 in cash, a significant portion of which has already been contributed, the proposed \$45,000,000 senior debt facility (the "Project Loan") to be provided by Heller Financial, Inc. and ING Capital (collectively "the Banks") and a corporate guarantee of the Project Loan to the Banks until project completion. SMI, which currently owns 37.3% of the issued shares of the Company, will contribute to LVM 9,924,093

Notes to Consolidated Financial Statements

shares of the Company, which will be returned to the Company and canceled, \$4,000,000 in cash, and \$8,600,000 in Letters of Credit to the Banks. SMI will own 55% and the Company will own 45% of LVM and Summo USA will be the Operator. SMI has granted the Company an option to purchase an additional 5.1% of LVM for a period of one year. The Company and SMI will also contribute to LVM their respective interests in the Champion Property.

The Arrangement is contingent upon, among other things, the Partial Stay being lifted and the Appeal of the Record of Decision being resolved in a manner satisfactory to the Banks, Summo USA and SMI, as well as the closing of all financing arrangements for the Lisbon Valley Project. At this date, these matters are not yet resolved. (See Note 8b).

8. Commitments and Contingencies

a) Employment Agreements. The Company has entered into executive employment agreements with three of its officers, which allow for the named employee to receive an amount equal to one year's annual compensation or salary if the officer is terminated without cause. The Company has also entered into similar agreements with two of its employees which allow for the named employees to receive an amount equal to one-half year's annual compensation or salary if the employee is terminated without cause. The total potential commitment resulting from these agreements equals \$438,625 in the aggregate at December 31, 1997.

b) Partial Stay of Appeal. During the first quarter of 1997, a coalition of environmental groups challenged the Bureau of Land Management's ("BLM") Final Environmental Impact Statement ("FEIS") and Record of Decision ("ROD") on the Lisbon Valley Project. Their challenge found a favorable response with the Interior Board of Land Appeals ("IBLA") in Washington D.C., who issued a stay on mining but not on construction (the "Partial Stay"), until questions are answered regarding the potential for mining to impact a deep aquifer located beneath the proposed mine, and the issue of bonding for protection of this deep groundwater is addressed. The Partial Stay precludes the Company's ability to close the Project Loan agreed upon with the Banks as well as the Plan of Arrangement with SMI required to put the Lisbon Valley Project into production.

The Company was therefore forced to suspend final engineering and construction activities and halt final documentation on the construction loan while a network of deep groundwater monitor wells was drilled in order to collect additional groundwater quality information needed to respond to the deficiencies perceived by the IBLA. As of the date of this writing, the Company has completed these activities and has remitted the data to the BLM who will officially respond to the IBLA's Partial Stay in March, 1998. The data collected from these new monitor wells supports the original conclusions and recommendations made by the BLM in the FEIS and ROD. A decision from the IBLA on the Appeal is expected in the second quarter, 1998.

Summo Minerals Corporation

Market Information

Summo's common stock is traded on the Toronto Stock Exchange under the trading symbol SMA. The range in high and low bid prices for the last four quarters in which the stock has traded are reported in the attached table:

Toronto Stock Exchange (\$Cdn)

Quarter 1977	High	Low	Average
First Quarter	\$1.55	\$1.25	\$1.44
Second Quarter	\$1.50	\$1.00	\$1.24
Third Quarter	\$1.10	\$0.36	\$0.66
Fourth Quarter	\$0.54	\$0.25	\$0.42

As of March 24, 1998 the closing price for the Company's common stock was \$0.45 Cdn, and the number of shareholders of record was 463.

Annual Meeting

Summo Minerals Corporation will hold its Annual General Meeting of shareholders on Friday, June 26, 1998 at 11:00 am in the Queen Anne Room of the Georgia Hotel, Vancouver, BC, Canada.

Investor Package Request

Shareholders may obtain further information on the Company by requesting an Investor Package from Clive Massey, Investor Relations, Summo Minerals Corporation, #860-625 Howe Street, Vancouver, B.C., Canada, V6C 2T6, or investors can visit our website at www.summominerals.com.



Summo Minerals Corporation

CORPORATE INFORMATION

OFFICERS

Gregory A. Hahn
President and Chief Executive Officer

James D. Frank
Vice President-Finance and Chief Financial Officer

Robert A. Prescott
Vice President-Operations, Summo USA Corporation

Karen A. Melfi
Assistant Vice President Land & Government Affairs,
Summo USA Corporation

Michael A. Charneskie, CPA
Controller, Corporate Secretary

John E. Robins, P. Geo.
Vice President

DIRECTORS

Mark A. Hellerstein
Chairman, Summo Minerals Corporation;
President, CEO & Director,
St. Mary Land & Exploration Co.

Gregory A. Hahn
President & CEO, Summo Minerals Corp.

John W. Ivany
Executive Vice President, Kinross Gold Corp.;
President and Director, Cartaway Resources Corp.

J. Douglas Little
Director, Canabrava Diamond Corp.;
Director, Prime Resources Group;

Robert L. Mason
President, Longbow Developments, Inc.

John E. Robins, P. Geo.
Director, Camnor Resources Ltd.;
Director International Northair Mines Ltd.;
Director, Western Keltic Mines Ltd.;
Director, Blackstone Resources Ltd.;
Director, Norcal Resources;
Director, Anzex Resources Ltd.

Frank E. Shanley
Manager, Dudley & Company, LLC.

CORPORATE OFFICES

900 Denver Center Building
1776 Lincoln St.
Denver, CO 80203 USA
Ph: (303) 861-5400
Fax: (303) 863-1736

REGISTERED OFFICE INVESTOR RELATIONS OFFICE

Suite 860-625 Howe Street
Vancouver, BC V6C 2T6 Canada
Ph: (604) 331-2267
Toll Free: 1 (800) 990-9133
Fax: (604) 331-2266

LEGAL COUNSEL

Scott Bissett
Vancouver, B.C.

Cohen, Brame & Smith
Denver, CO

AUDITORS

Coopers & Lybrand Chartered Accountants
Vancouver, B.C.

TRANSFER AGENT

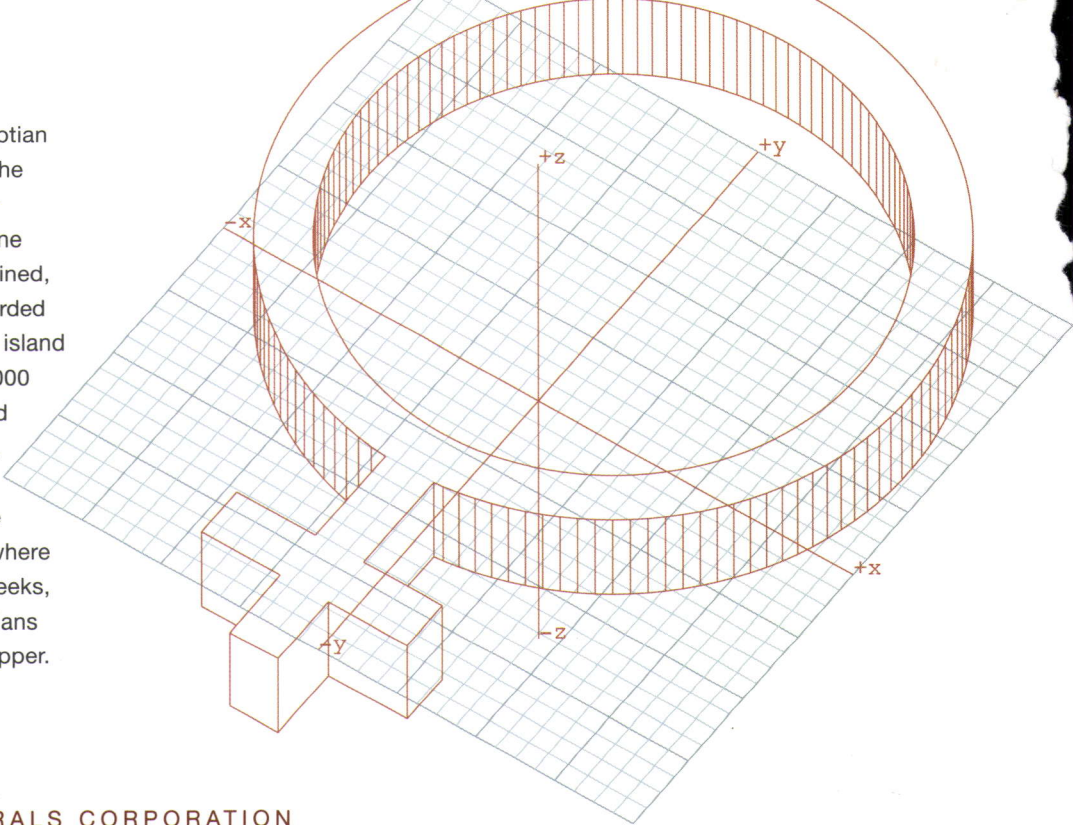
Pacific Corporate Trust
830-625 Howe Street
Vancouver, BC V6C 2T6 Canada

COMMON STOCK TRADING SYMBOL: SMA

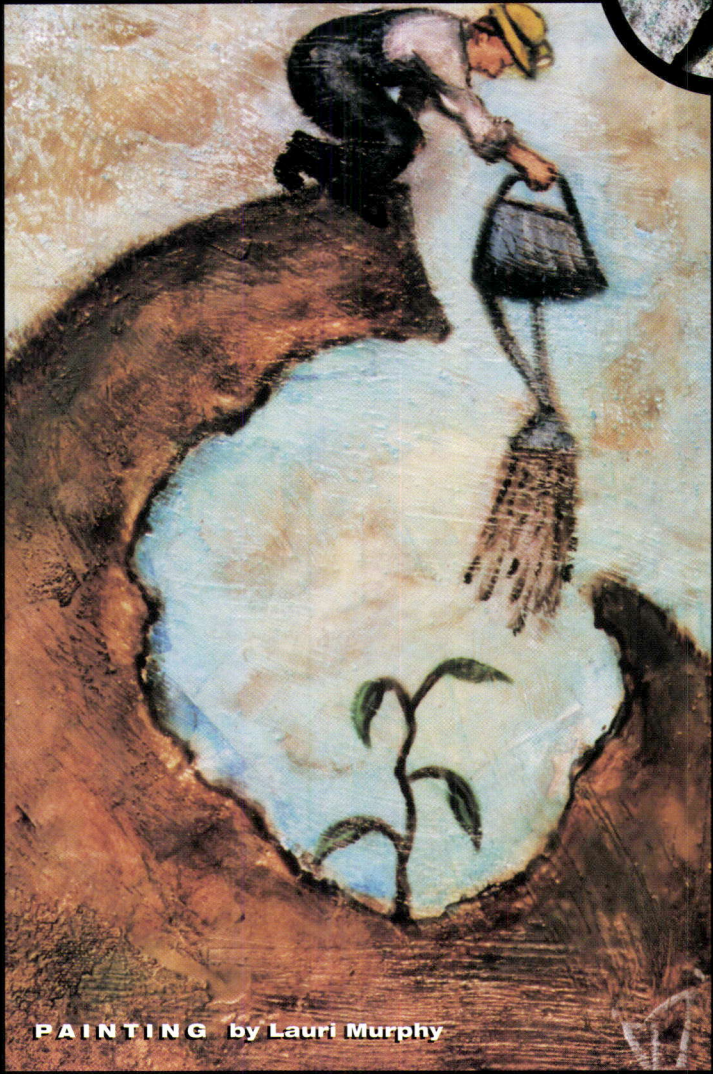
Listed on The Toronto Stock Exchange

The Ankh

The ankh is the Egyptian symbol for life and the universal symbol for copper. Copper is one of the first metals mined, with the earliest recorded production from the island of Cyprus around 3000 B.C. Originally called the “Cyprian metal”, the name copper is a derivative of the location “Cyprus”, where the Phoenicians, Greeks, Romans, and Egyptians all obtained their copper.



SUMMO MINERALS CORPORATION
1776 LINCOLN STREET, SUITE 900
DENVER, COLORADO 80203



PAINTING by Lauri Murphy

